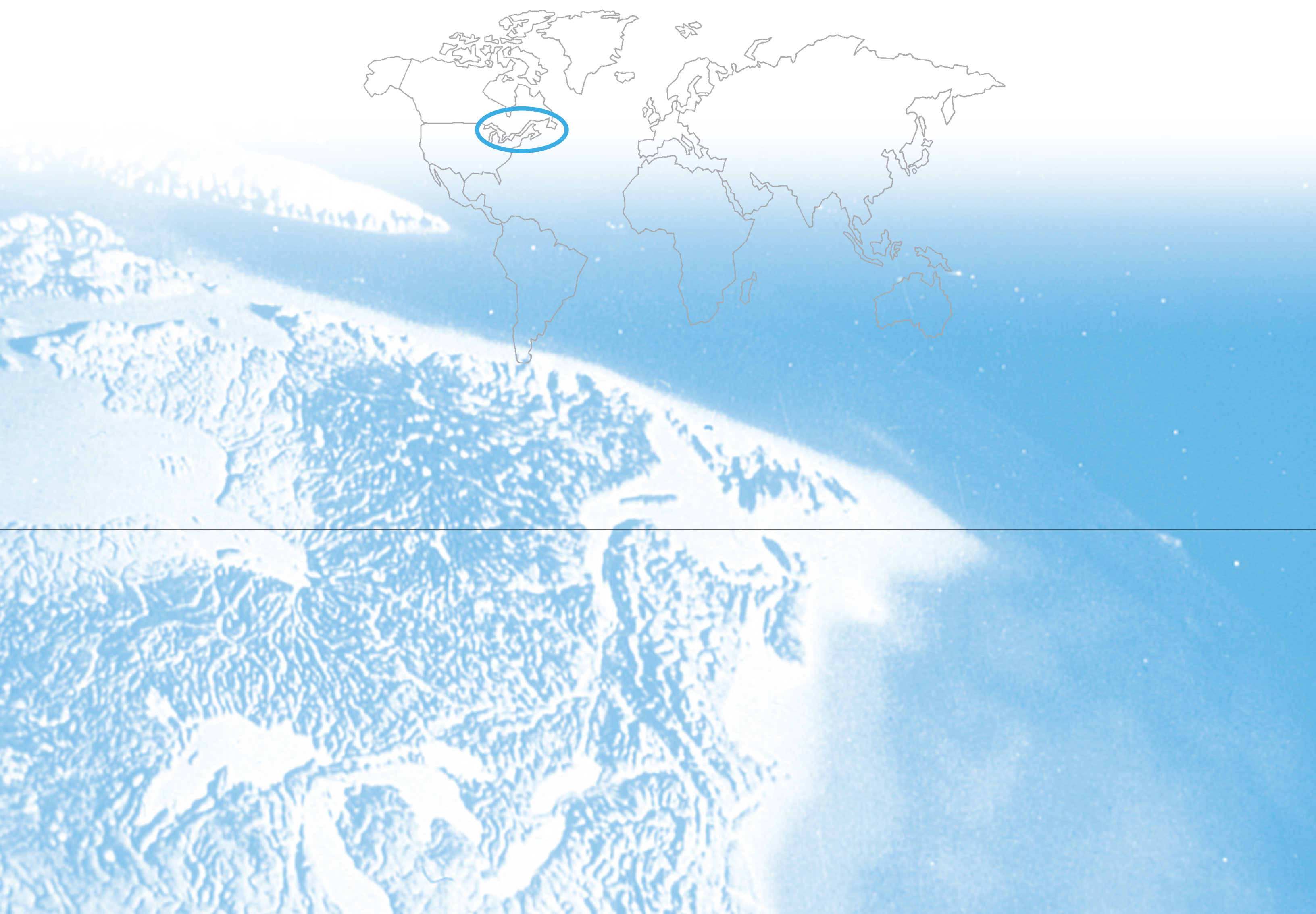
Saint Lawrence Seaway Development Corporation

FISCAL YEAR 2005 ANNUAL REPORT

Mission Statement – The Saint Lawrence Seaway Development Corporation operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development activities focused on economic development for the Great Lakes St. Lawrence Seaway System. Our mission is to serve the marine transportation industries by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway, in cooperation with the Canadian St. Lawrence Seaway Management Corporation.

Vision Statement – The Saint Lawrence Seaway Development Corporation will be a model federal agency, leading the Great Lakes Seaway System as the safest and most efficient, competitive, technologically advanced, and environmentally responsible marine transportation system in the world.

Core Organizational Values – Accountability, Competitiveness, Customer Focus, Dedication, Diversity, Excellence, Integrity, Operational Efficiency, Relevance, Service, and Quality.



SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

ANNUAL FINANCIAL AUDIT REPORT
October 1, 2004 - September 30, 2005

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Opposite: The Great Lakes St. Lawrence Seaway System is a vital maritime gateway that moves cargo between North America and international markets. The Great Lakes encompasses the St. Lawrence River and the five Great Lakes, and stretches over 2,300 miles (3,700 km) from the Gulf of St. Lawrence to Lake Superior's western shores at Duluth, Minnesota.

Above: An aerial view of a ship waiting to transit a Seaway lock.

Overview

Authority – The U.S. Saint Lawrence Seaway Development Corporation (SLSDC), a wholly owned government corporation and an operating administration of the U.S. Department of Transportation, is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization. The Great Lakes Seaway System annually generates more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes.

The St. Lawrence Seaway is an international waterway, and the SLSDC interacts directly with the Canadian government and private entities. The SLSDC coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day operations, traffic management, navigation aids, safety, environmental programs, operating dates, and trade development programs. The unique binational nature of the Seaway System requires 24-hour, year-round coordination between the two Seaway Corporations.

The SLSDC's policy headquarters is located in Washington, D.C. The operational staff and facilities are located in Massena, N.Y., including the two U.S. Seaway locks (Eisenhower and Snell).

FY 2005 Highlights

Traffic Tonnage. Overall traffic tonnage through the Seaway remained steady in the 2005 navigation season, dropping only a fractional 0.4 percent from the preceding year's figures as 43.3 million metric tons moved through Seaway locks and transits increased 6.6 percent. Though iron ore and grain showed small increases, coal and steel numbers dropped significantly. The addition of new cargoes such as aluminum ingots, raw sugar, and wind turbine shipments helped keep the season at 2004-season tonnage levels.

Great Lakes St. Lawrence Seaway Study. Progress continued on the binational, interagency Great Lakes St. Lawrence Seaway Study. Release of the *Report on Stakeholder Engagement* in February elicited widespread interest that resulted in follow-on meetings in Kingston, Ont., and Cleveland, Ohio in September. Binational Study managers, the project development team chiefs for engineering, environment and economics, and senior staff briefed Steering Committee members in April in Montreal on work schedules, the planned integration framework, consultations held, Study parameters and communications outreach efforts. The Communications staff published two editions of the *Communiqué*, the official newsletter, reporting to the public on significant Study milestones throughout the year.

Highway H_2O Initiatives. As an important component to the St. Lawrence Seaway's HWY H_2O marketing campaign, four sector-specific workshops were held during the fiscal year to discuss how the Seaway's marine industry can better serve the region's U.S. and Canadian steel, forest, grain, and automobile industries in moving their products by water. The binational sessions between transportation and logistics professionals from various shipping sectors and the region's marine service suppliers were well attended. The workshops are designed to enable decision-makers to participate in an open, constructive discussion as to how their commodities can be better served by the Seaway.

SLSDC Website. During this fiscal year, the Seaway binational website (*www.greatlakes-seaway.com*), jointly owned and maintained by the SLSDC and Canadian SLSMC, continued to record sizeable year-to-year growth in site viewership. During FY 2005, more than 1.9 million page 'hits' on the website were recorded, an increase of 7 percent over FY 2004 levels – evidence of strong customer interest in a one-stop site providing timely, accurate information on varied aspects of waterway operations and policies.

Establishing Tolls. During FY 2005, the President's FY 2006 budget proposal proposed to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC to support its operations, maintenance and capital needs. Ultimately, the FY 2006 toll proposal was not approved by the 109th Congress as both the House and Senate voted to continue funding the Seaway Corporation entirely through the Harbor Maintenance Trust Fund.

Opposite, top: A view of Eisenhower Lock, located in Massena, N.Y.

Opposite, bottom: A cargo container doubled as a promotional tool during its voyage from Europe to North America, as part of an ongoing effort to encourage container shipping on the Great Lakes St. Lawrence Seaway.

Above: A Staten Island Ferry, recently constructed by Manitowac Marine Group in Marinette, WI, transits through the Seaway locks on its way to its New York City destination.

SLSDC Continues to Meet Performance Levels for Foreign Vessel Inspections

The SLSDC and the U.S. Coast Guard (USCG), in conjunction with Transport Canada and the SLSMC, signed a Memorandum of Understanding in March 1997 to develop a program of coordinated vessel inspection and enforcement activities to expedite the safe transit of vessels through the Great Lakes Seaway System. The principal goal of the Enhanced Seaway Inspection (ESI) program is to inspect all ocean vessels for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters.

Each year, numerous foreign flag vessels from more than 50 nations transit the U.S. locks and channels of the Seaway to and from the major port facilities in the Great Lakes. Prior to 1997, ship inspections were conducted at the U.S. Seaway locks in Massena, N.Y., which reduced safety and delayed ship traffic. The SLSDC, working closely with the USCG, restructured the inspection program in 1997. The goal of the revised program was to perform 100 percent of the ESIs in Montreal for the first inbound transit of each ocean vessel before entering U.S. waters. During the 2005 navigation season, through September 30, the goal was achieved with 169 inspections completed, all performed by SLSDC Marine Inspectors.

The ballast water exchange program continues to be an important component of the ship inspection program. These inspections are carried out concurrently with the ESIs by Corporation personnel in Montreal and by USCG and Corporation personnel at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. During the 2005 navigation season, through September 30, there were 54 ballast water exams conducted in Montreal and 47 in Massena, N.Y.

Emergency Response Exercise

The SLSDC's Office of Lock Operations and Marine Services conducted an emergency response tabletop exercise with supervisory and management staff on March 3, 2005, testing new revisions to the agency's Emergency Response Plan, including internal notifications, and individual roles and responsibilities.

The SLSDC's goal is to be proactive, prepared, and effective as first-level responders in the event of a vessel incident, oil spill or lock-related emergency in the St. Lawrence River. SLSDC efforts are focused on providing timely notifications to response personnel, assisting with control and containment activities and ensuring, through annual training, that the agency is able to provide an effective, coordinated effort to help diminish the impact of an oil spill, thereby enhancing the safety of shipboard personnel, the public, and the environment.

SLSDC Participated in Government-wide Security Preparations

As part of the ongoing efforts to test and improve the ability to perform essential government functions during threats and emergencies, the U.S. Department of Homeland Security and other federal departments and agencies tested their continuity of operations (COOP) plans during Exercise Pinnacle on June 20-24, 2005. The exercise involved physical relocation of personnel to alternate emergency location sites and tabletop drills in response to emergency scenarios.

Exercise Pinnacle also included a hypothetical terrorism scenario and accompanying emergencies that require COOP activities to be conducted by the Federal government. The Exercise scenario was not based on any specific threat or intelligence information.

Corporation Continues to Work on the Binational Great Lakes St. Lawrence Seaway Study

The Great Lake St. Lawrence Seaway Study (GLS Study) is a joint Canadian and United States endeavor that is assessing the ongoing maintenance and long-term capital requirements to ensure the viability of the Great Lakes St. Lawrence Seaway System (System) as a competitive, reliable, and sustainable component of North America's transportation infrastructure. The Great Lakes Seaway System, built and shared by Canada and the United States, is a key component of North America's transportation infrastructure. The waterway serves 15 major international ports and some 50 regional ports on both sides of the border.

The Water Resources Development Act of 1999 directed the U.S. Army Corps of Engineers (USACE), in consultation with DOT (through the SLSDC), to undertake a study focusing on improvements to the commercial navigation infrastructure of the System. Since January 2001, the USACE has worked closely with the SLSDC on this effort. During early work on the GLS Study, it was recognized by all parties that due to the binational nature of the System, for a study to be comprehensive and complete, it had to include Canada as a full partner, and that DOT had to play a significant supporting role to the USACE on the U.S.

Opposite: Following the end of the 2004 navigation season, the annual winter maintenance program at the two U.S. Seaway locks began. The culvert valve is being prepped for additional stiffener plates (steel plates).

Above: A Canadian laker transits across the Lakes with a load of grain.

side. To that end, it was agreed that a Memorandum of Cooperation (MOC) between DOT and Transport Canada (TC) would be necessary. While the MOC is between DOT and TC, the cost of the GLS Study on the U.S. side is primarily funded by the USACE.

On May 1, 2003, former Secretary of Transportation Mineta and former Canadian Minister of Transport Canada David M. Collenette signed an MOC. The MOC established a framework and goals for carrying out the GLS Study. Both countries recognized the substantial economic and environmental importance of the Great Lakes Seaway System. The MOC made explicit what had been largely an unofficial policy over decades of close cooperation between U.S. – Canadian transportation agencies for ensuring the integrity of the System. The endorsement by the U.S. Army Corps of Engineers in February 2003 of its Reconnaissance Study Report provided the impetus for the MOC.

The multiyear GLS Study will include a detailed engineering analysis of the System's current infrastructure. The GLS Study will also include an economic analysis of the cost and benefits associated with maintaining the System's current infrastructure to its current state of reliability. In addition, the GLS Study will conduct an environmental analysis.

The binational Steering Committee established to provide oversight for the GLS Study has met three times since July of 2003. The last meeting was held on April 5, 2005, in Montreal, Canada. The Steering Committee is co-chaired by DOT and Transport Canada. The Steering Committee is comprised of senior-level officials from the following organizations:

- U.S. Department of Transportation
- Transport Canada
- U.S. Army Corps of Engineers
- Saint Lawrence Seaway Development Corporation (U.S.)
- St. Lawrence Seaway Management Corporation (Canada)
- Environment Canada
- U.S. Fish and Wildlife Service

The SLSDC has contributed significantly to the GLS Study by providing financial support, in the form of contributing key personnel, and technical expertise. In addition to being a member of the Steering Committee, the SLSDC contributes to the work of the Management Team and is a member of the Engineering Project Delivery Team.

SLSDC's Annual Stakeholder Appreciation Reception

In recognition of the Great Lakes St. Lawrence Seaway System stakeholders, the SLSDC hosted its annual reception on December 2, 2004, during the Grunt Club events in Montreal, Canada. More than 100 Seaway Stakeholders representing a cross section of the maritime community attended this annual event. The Corporation hosts the event to provide an opportunity for our stakeholders to discuss business opportunities and challenges throughout the Seaway System.

SLSDC Continues to Promote Great Lakes Seaway System Cruising at Annual Seatrade Cruise Convention

A delegation of U.S. and Canadian stakeholders participated in the Annual Seatrade Cruise Shipping Convention and Exhibition held in Miami, Fl., March 14-18, 2005. This marked the fifth consecutive year the SLSDC and the Canadian SLSMC, and the Great Lakes Cruising Coalition co-hosted an informational booth.

The delegation's goal for participating in Seatrade was to promote the Great Lakes Seaway System as a cruising destination and offer our technical expertise to current and potential cruise ship operators in the Seaway System. The Great Lakes Seaway System continues to be recognized as one of the safest destinations for cruise ships and a comfortable environment for North American travelers seeking vacation options closer to home.

Meetings took place throughout the week with representatives from several cruise ship lines including: Holland America, Windstar Cruises, Celebrity Cruises, Carnival Cruises, Seaborne Cruise Line and many other cruise related businesses. American Cruise Lines (ACL) announced that it was working to bring a new vessel into the Seaway System during the 2007 navigation season.

SLSDC Hosts Trade Development Meeting for Stakeholders

On October 6, 2004, in Cleveland, Ohio, the SLSDC and the Canadian SLSMC brought together stakeholders representing a cross section of the maritime community from the Great Lakes St. Lawrence Seaway System to discuss current issues within the System such as the Great Lakes St. Lawrence Seaway Study, the 2005 Seaway Trade Mission, cruise ship initiatives and the new joint marketing initiative, HWY H_2O. This meeting also provided a forum for our stakeholders to discuss any concerns or marketing ideas they had regarding their operations or future domestic or international trade leads.

Opposite: The beautiful cruise ship C. COLUMBUS enters the Seaway locks en route to Great Lakes port calls.

Above: Seaway Corporation's participation in Seatrade, North America's largest cruise exhibition in Miami, exceeded all expectations. Hundreds of visitors stopped by the booth to collect information about the Great Lakes and its many port destinations.

Trade Development Initiatives

Highway H_2O Marketing Initiative

Highway H_2O is a joint U.S./Canadian marketing initiative to promote the interests of the Great Lakes St. Lawrence Seaway System port and terminal partners on the St. Lawrence River and Great Lakes. Funding for HWY H_2O comes from the SLSDC, Canadian SLSMC, and U.S. and Canadian Port partners. Current membership stands at 18 ports located on the St. Lawrence River and Great Lakes.

The program promotes the GLS System by educating the public about the many advantages to waterborne commerce including: more cargo moved per ton/mile of fuel consumed; fewer accidents; less harmful air emissions; and reduction in traffic congestion. The hope is that these and other advantages can be 'branded' into the public's decision-making process in such a manner that HWY H_2O comes immediately to mind as a logical, environmentally friendly, and most importantly, cost competitive choice for moving their goods to market. The intent of our efforts is to increase total domestic and international tonnage throughout the Great Lakes St. Lawrence Seaway System.

The HWY H_2O program basically follows a three point program:

• One-stop shopping (making the System more efficient and user-friendly for operators);

• Umbrella Marketing (bundling a structure of resources under HWY H_2O to market the System); and

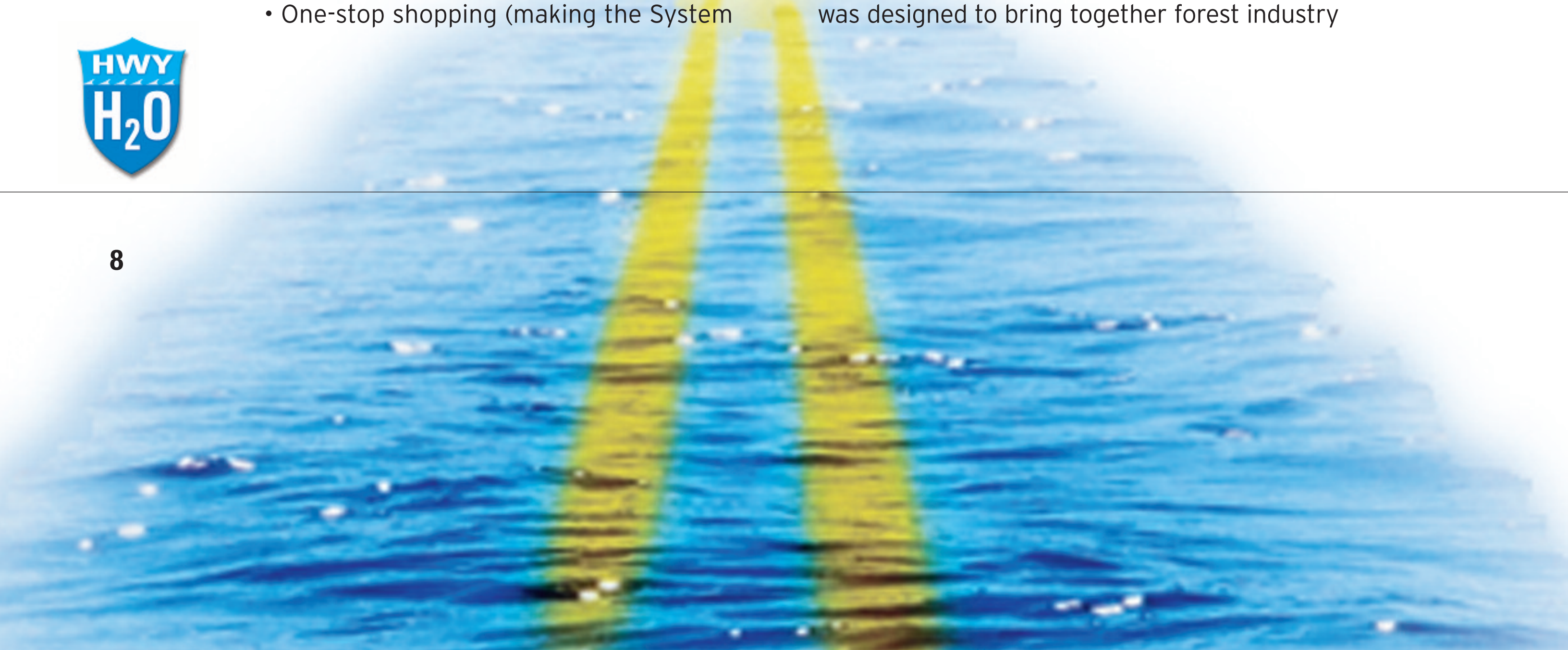
• Focusing on Cargo (attracting new or lost cargo to the System).

In support of the HWY H_2O initiative, the following workshops were conducted this fiscal year:

On May 11, 2005, approximately 33 Seaway System stakeholders participated in the first sector-specific workshop hosted by the HWY H_2O marketing program in Hamilton, Ont. The session brought together, transportation and logistics professionals within the region's steel industry with marine service suppliers at HWY H_2O ports.

On June 29, 2005, in Detroit, Mich., the SLSDC and the Canadian SLSMC and private transportation and logistics professionals involved in the automotive supplies trade met. The meeting focused on opportunities to optimize and increase the flow of automotive supplies through the Seaway System.

On September 1, 2005, the two Seaway entities and the Duluth (Minn.) Seaway Port Authority co-hosted a HWY H_2O Forest Products Workshop in Duluth. The workshop was designed to bring together forest industry



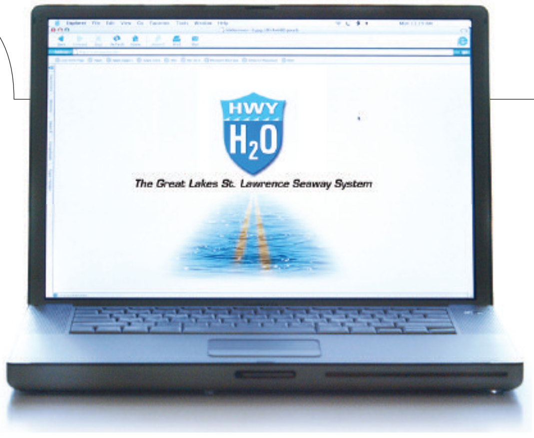
transportation logistics professionals with representatives of the Great Lakes St. Lawrence Seaway marine industry to discuss best utilization of the Seaway System. The roundtable event, which drew more than 50 participants, provided forestry officials an opportunity to outline their industry transportation needs, while allowing marine service suppliers (terminal operators, marine carriers, port officials, trucking companies and labor representatives) to highlight current capacity and discuss barriers to utilizing marine transportation for regional Great Lakes shipments.

Both Corporations also jointly hosted a Seaway container trade development conference on September 29-30, 2005, in Mississauga, Ont. The conference focused on opportunities to optimize and increase the flow of containers through the Seaway System.

SLSDC Site Visit for Congressional and DOT Officials

The SLSDC hosted Congressional staff and senior Department of Transportation officials on a site visit to our operational facilities in Massena, N.Y. on August 25, 2005. The visit to the SLSDC's locks and facilities was designed to acquaint key legislative and transportation professionals with critical functions the SLSDC performs daily. Seaway Corporation managers provided attendees with a personal briefing of maintenance facilities, engineering, lock operations, and vessel traffic control procedures. The Seaway's Automatic Identification System (AIS), which is now mandatory for all commercial shipping on the Seaway, was demonstrated to the visitors. The SLSDC is the first organization to have deployed AIS in North America.

Above: Congressional staff and senior Department of Transportation officials visited the SLSDC's Massena, N.Y., operational facilities. The tour was an opportunity to acquaint key legislative and transportation professionals with critical functions the SLSDC performs daily.



Customer Service Initiatives

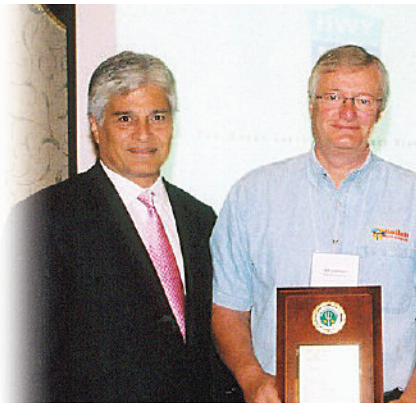
Binational Seaway Website Sets Records in FY 2005

During FY 2005, the Seaway binational website (www.greatlakes-seaway.com), jointly owned and maintained by the SLSDC and the Canadian SLSMC, continued to record sizeable year-to-year growth in site viewership and positive feedback. During the first nine months of FY 2005, the site received more than 1.9 million page hits, an increase of 58 percent versus the first nine months of FY 2004. In addition, the site posted an all-time record month in August 2005 with 196,000 pages.

The site was launched in February 2001 as a unique public-private partnership and is the result of feedback from Seaway customers who requested a "one-stop" Internet site for locating U.S. and Canadian information related to transiting the Seaway System. It is intended to promote the binational system in an effort to generate new business.

Ship Drawing Reviews

The Corporation offers, free of charge, a review of ship drawings for new buildings or revisions, encouraging owners to fit vessels to Seaway dimensions during construction. In addition, the Corporation provides advice and guidance to developers, shipping companies or agents on modifications necessary to meet requirements for transiting the Seaway. The free service has been a key factor in attracting ocean freighter and passenger vessel traffic to the Seaway.

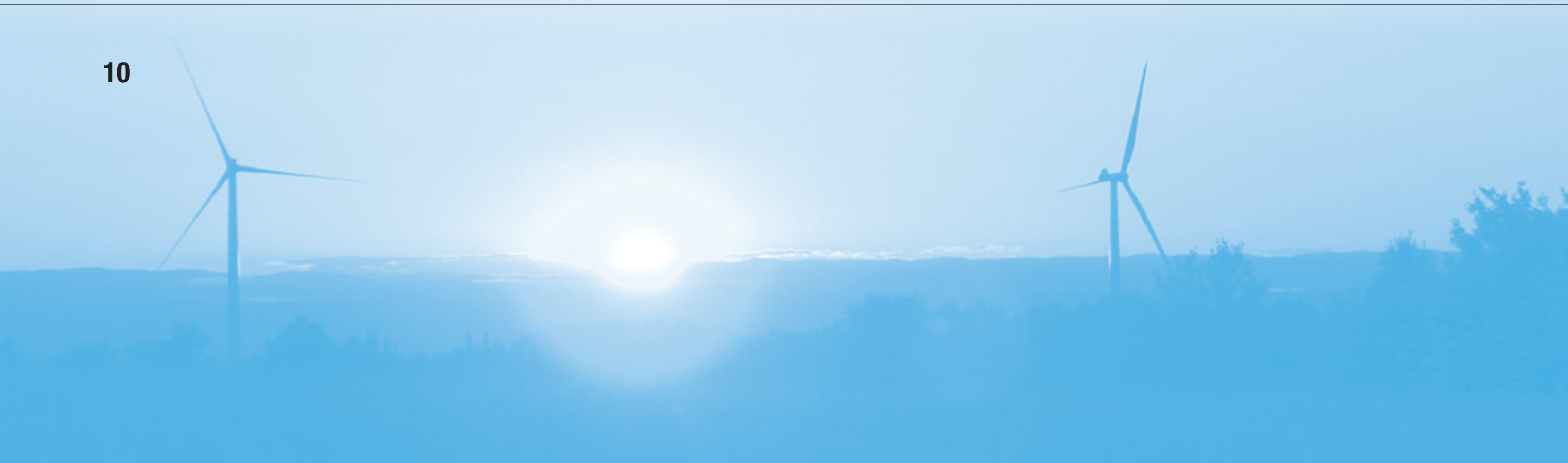


Right: Albert Jacquez, Administrator, SLSDC, presents the SLSDC Robert J. Lewis Pacesetter Award to William McGiffert, Vice President & Chief Operating Officer, Hallet Dock Company, Gary Nicholson, President, Lake Superior Warehousing Company. Adolph Ojard, Executive Director, Duluth Seaway Port Authority was also there for the presentation.

Seaway Ship Inspectors completed a total of 47 vessels drawing reviews through September 30, including 32 formal ship drawing reviews of new builds and 15 reviews for existing vessels for the 2005 navigation season.

Seaway Tie-Up Service

To accommodate vessel operators who have elected not to install or use landing booms, the Seaway entities initiated tie-up services in 1995 on a cost-recovery basis. The fee for the service continues to be $1,500 Canadian for each round trip through the Montreal-Lake Ontario and Welland Canal sections. During the 2005 navigation season, through September 30, a total of 111 vessels requested the tie-up service in the Montreal-Lake Ontario section, and 71 vessels requested the service in the Welland Canal section.



Below: Deputy Administrator Craig Middlebrook presents the Robert J. Lewis Pacesetter Award to Brown County Port & Solid Waste Management Department Port of Green Bay and K&K Warehousing Company. (Left to right) Carol Kelson, Brown County Executive; Neil McKloskey, President, Harbor Commissioners; Chuck Larscheid, Director of Port and Solid Waste Department; Tom Kuber, President, K&K Warehousing Company; Craig Middlebrook, Deputy Administrator, SLSDC; and Dean Haen, Port Director, Brown County Port & Solid Waste Department.

Seaway Robert J. Lewis Port Pacesetter Awards

The Robert J. Lewis Pacesetter Award is presented by the SLSDC annually to those U.S. Great Lakes Seaway ports and terminals that have registered increases in international cargo tonnage shipped through the waterway. The 2004 presentations marked the 13th anniversary of the award.

The following six U.S. Great Lakes Seaway ports and six terminal operators earned the award based upon improved tonnage numbers posted in 2004 over the previous year:

Port of Green Bay	Green Bay, Wis.
Ports of Indiana – Burns Harbor	Burns Harbor, Ind.
Detroit/Wayne County Port Authority	Detroit, Mich.
Cleveland-Cuyahoga County Port Authority	Cleveland, Ohio
Lake Superior Warehousing Company Inc.	Duluth, Minn.
Federal Marine Terminal, Inc.	Milwaukee, Wis.
Federal Marine Terminal, Inc.	Burns Harbor, Ind.
Hallett Dock Company	Duluth, Minn.
K & K Warehousing	Green Bay, Wis.
Illinois International Port District of Chicago	Chicago, Ill.
Port of Oswego	Oswego, N.Y.
Toledo-Lucas County Port Authority	Toledo, Ohio

Opposite and left: A new project cargo moving on the Seaway is wind turbines. Communities throughout North America are seeking alternate power sources to reduce pollution and dependence on fossil fuels, and windmills are increasingly being viewed as an answer.

SLSDC Departmental Awards Recipients

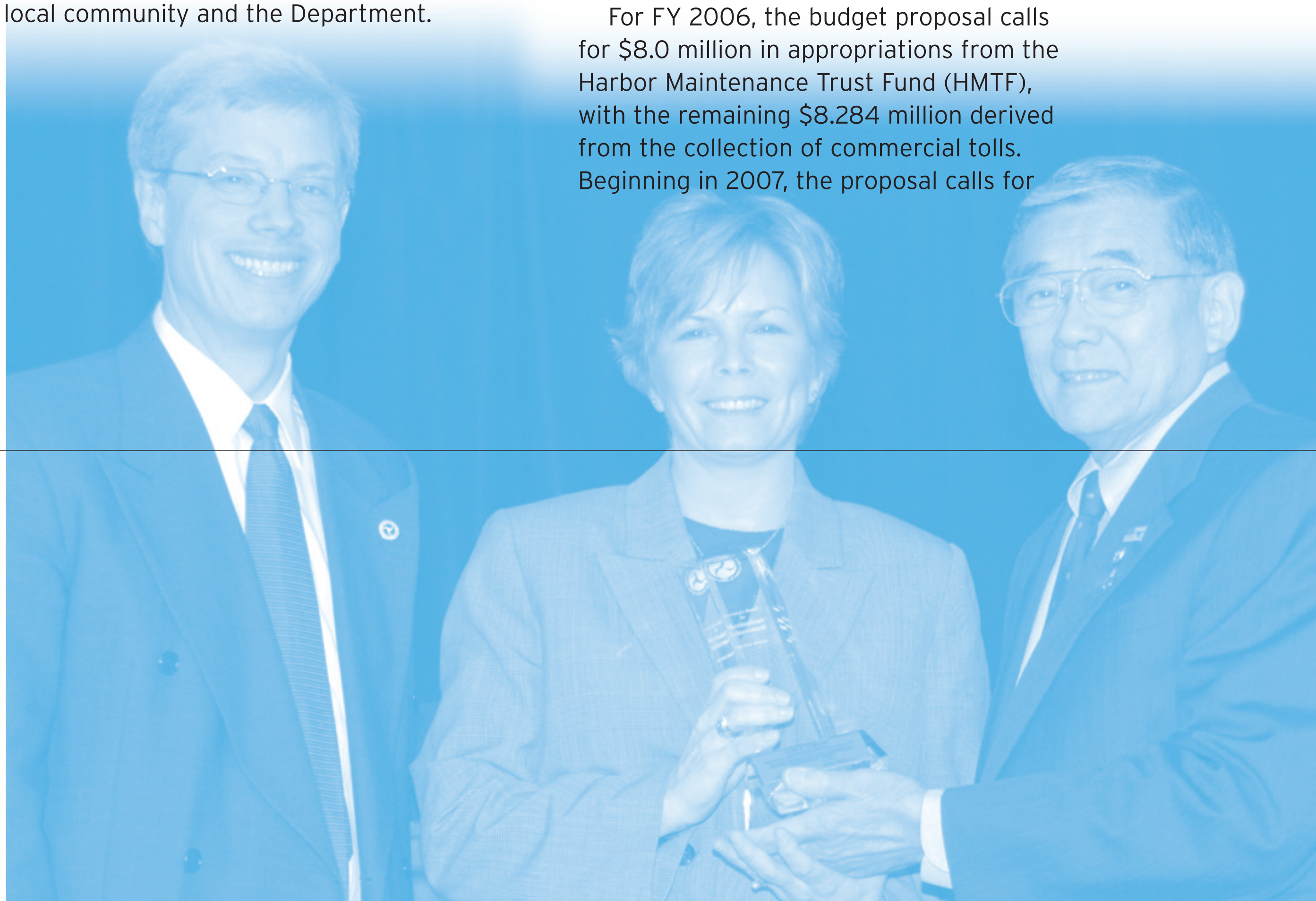
On November 5, 2004, three SLSDC employees were honored by DOT Secretary Norman Y. Mineta at the 37th Annual DOT Awards Ceremony held in Washington, D.C. The employees honored were:

Lori Curran, Director, Office of Lock Operations and Marine Services, Massena, N.Y., who received the Meritorious Achievement (silver medal) award recognizing her extraordinary accomplishments in achieving International Standards Organization (ISO) Recertification of the SLSDC Quality Management System; Lorraine Zender, Custodian for the Administrative Building, Massena, N.Y., who received the Excellence award for her outstanding dedication and work ethic; and Vicki Garcia, Director of Civil Rights and Public Affairs Specialist, Massena, N.Y., who received the Volunteer Service award recognizing her dedication and commitment to serving her local community and the Department.

FY 2006 Budget Request Calls for Re-establishment of U.S. Seaway Commercial Tolls

Announced during FY 2005, the President's FY 2006 budget proposed to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC to support its operations, maintenance, and capital needs.

For FY 2006, the budget proposal calls for $8.0 million in appropriations from the Harbor Maintenance Trust Fund (HMTF), with the remaining $8.284 million derived from the collection of commercial tolls. Beginning in 2007, the proposal calls for



Opposite: Vicki Garcia, Director of Civil Rights and Public Affairs Specialist, receives the Volunteer Service Award, recognizing her dedication and commitment to serving her local community and the Department.

complete self-sufficiency. The near 50 percent split between tolls and traditional appropriations from the HMTF in the FY 2006 request was based on an assumption that U.S. Seaway toll collections would begin with the start of the 2006 navigation season (late March/early April), which is the halfway mark of the fiscal year.

The proposed bill sent to the House and Senate on June 8, 2005, by DOT Secretary Norman Y. Mineta ("The St. Lawrence Seaway Development Corporation Enhancement Act") was divided into three sections or titles:

• Title 1 contains amendments to the Seaway Act pertaining to the collection of tolls. It stipulates an exemption from the imposition of the Harbor Maintenance Tax for cargo moving through the U.S. Seaway locks, eliminating the "double taxation" issue.

• Title 2 contains amendments clarifying SLSDC's corporate powers. For example, it would allow the SLSDC to diversify its investments into Treasury securities. In addition, Title 2 contains language to allow the SLSDC to borrow the remaining $3.2 million from its original borrowing authority.

• Title 3 contains a technical amendment to the SLSDC Act to change "Saint" to "St.".

Following the submission of the proposed bill to the Congress, SLSDC, DOT, and Administration officials met with various House and Senate staff on the bill. At the end of FY 2005, no action had been taken by the Congress.

Education/Mentoring Programs

The SLSDC continued its Adopt-A-School program with the Jefferson Elementary School in Massena, N.Y., and its partnering efforts with the Tech Prep/School-to-Work-Initiative with Massena Central High School and Clarkson University School of Business, to prepare high school juniors and seniors for post school employment. In FY 2005, one student participated in the job shadowing program.

The fifth grade class participated in the National Transportation Poster Contest. The theme was "St. Lawrence Seaway on the Move." Winners were selected and awarded U.S. savings bonds by SLSDC's Public Information Officer Vicki Garcia. As part of the Jefferson Elementary's Annual Outdoor Activities Week, 75 sixth graders were given a tour of the SLSDC Grasse River Gatelifter, a tug ride onboard the SLSDC's ROBINSON BAY, and received a safe boating demonstration by a New York State Certified Instructor.

Opposite, top: Lorraine Zender, Custodian for the Administrative Building, receives the Excellence award for her outstanding dedication and work ethic.

Opposite, bottom: Lori Curran, Director, Office of Lock Operations and Marine Services, receives the Meritorious Achievement Award, recognizing her extraordinary accomplishments in achieving International Standards Organization Recertification of the SLSDC Quality Management System.

SAFETY

Enhanced Seaway Inspections – "Maintain 100 percent of ocean vessel first-transit-inbound inspections at Montreal, Quebec, outside of U.S. waters, each navigation season." The goal was achieved during the 2004 season, with 224 vessel inspections conducted by SLSDC personnel. In 2005, through September 30, the goal was achieved with 169 vessel inspections completed.

RELIABILITY

System Availability – "Improve the reliability and availability of locks and related navigational facilities during the navigation season." The goal for 2005 was 99 percent availability. System availability in 2005, through September 30, was 99.9 percent.

Lock Equipment Maintenance – "Reduce vessel delays due to lock equipment failure." The goal for 2005 was zero hours of delay. Downtime in the 2005 navigation season, through September 30, due to lock equipment malfunction was 1.3 hours.

TRADE DEVELOPMENT

Cruise Vessel Itineraries/Passengers – "Increase the number of cruise vessel port calls throughout the Great Lakes Seaway System over the previous navigation season level." In 2004, the goal for increased itineraries was achieved with 64 port calls versus 49 in 2003. Data for 2005 was not available at the end of this reporting period.

MANAGEMENT ACCOUNTABILITY

Administrative Expenses – "Reduce the administrative overhead expense ratio of total operating expenses, excluding depreciation and imputed expenses, to 25 percent or lower." The administrative expense ratio for FY 2005 was 25.4 percent.

Financial Reserve – "Maintain/increase the financial reserve account to ensure contingency funding for catastrophic emergencies and funding for critical capital and extraordinary maintenance projects." The goal for FY 2005 was a minimum year-end balance of $10 million. The financial reserve was $10.9 million at the end of FY 2005.

Audit Opinion – "Achieve an unqualified opinion (clean audit) in the independent examination of financial statements as well as no instances of non-compliance with laws and regulations or material weaknesses in internal control as they relate to financial reporting." The Corporation received an unqualified opinion and no management letter in the independent examination of its financial statements for FY 2004, which was completed and issued on November 9, 2004.

Tonnage levels for the St. Lawrence Seaway in 2005 were relatively stable as 43.3 million metric tons moved through the binational waterway. This was 180,000 metric tons below the 2004 level or just below a 0.4 percent drop in overall Seaway tonnage handled.

Grain, iron ore, coal, steel and other bulk represented most cargo that passed through the Seaway during 2005 navigation season valued at $7.1 billion. New cargoes shipped in 2005 included wind turbines, aluminum ingots, and raw sugar. Grain, a commodity staple for the Seaway since its opening, increased 5 percent to an estimated 9.8 million metric tons. Additionally, iron ore movements through the binational waterway also increased 5 percent to 11.0 million metric tons.

The slight decrease in total Seaway trade was due largely to a substantial drop in iron and steel imports (23 percent) after strong results in 2004. These high-valued commodities include processed iron and steel and steel slabs. A softening of the domestic automobile manufacturing market as well as the continued restructuring of the North American steel production industry resulted in decreased imported general cargo. Reduced demand for general cargoes also resulted in a drop of 537,000 metric tons in metallurgical coal (13 percent) shipped through the Seaway, which is used almost exclusively by the steel industry.

In addition to cargo movements, total commercial transits through the St. Lawrence Seaway were 4,361, a 7 percent increase over 2004 results.

2005 St. Lawrence Seaway Commodity and Transit Results

Volume in Thousands of Metric Tons

			Change	
Commodities	**2004**	**2005**	**Tons Transits**	**Percent**
Grain	9,322	9,773	451	5%
Iron Ore	10,459	11,010	551	5%
Coal	4,230	3,693	(537)	(13%)
Other Bulk	15,203	15,566	363	2%
General Cargo	4,268	3,277	(991)	(23%)
Cargo Total	43,482	43,301	(181)	0%
Transit Total	4,090	4,361	204	5%

Opposite: Construction of one of the U.S. locks at Massena, N.Y. is well under way during the late 1950s.

CORPORATION'S STATEMENT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL SYSTEM

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the Corporation is required to provide a statement on internal accounting and administrative control systems consistent with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. An evaluation of the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2005 was performed in accordance with "Guidelines for Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government," issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the FMFIA, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the Corporation was in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Corporation are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived/and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, Congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A material weakness or non-conformance is a specific instance of non-compliance with the Integrity Act. Such weakness would significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest. Each material non-conformance in a financial system merits the attention of the agency head/senior management, the Executive Office of the President, or the relevant Congressional oversight committee; prevents the primary agency's financial system from achieving central control over agency financial transactions and resource balances; and/or prevents conformance of financial systems with financial information standards and/or financial system functional standards.

The results of the evaluations described in the second paragraph, assurances given by appropriate Corporation officials, and other information provided indicate that the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2005, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within the limits described in the preceding paragraph. The evaluation did not disclose any material weaknesses or non-conformances in the internal accounting and administrative control system in FY 2005 and prior years.

FY 2005 ANNUAL REPORT

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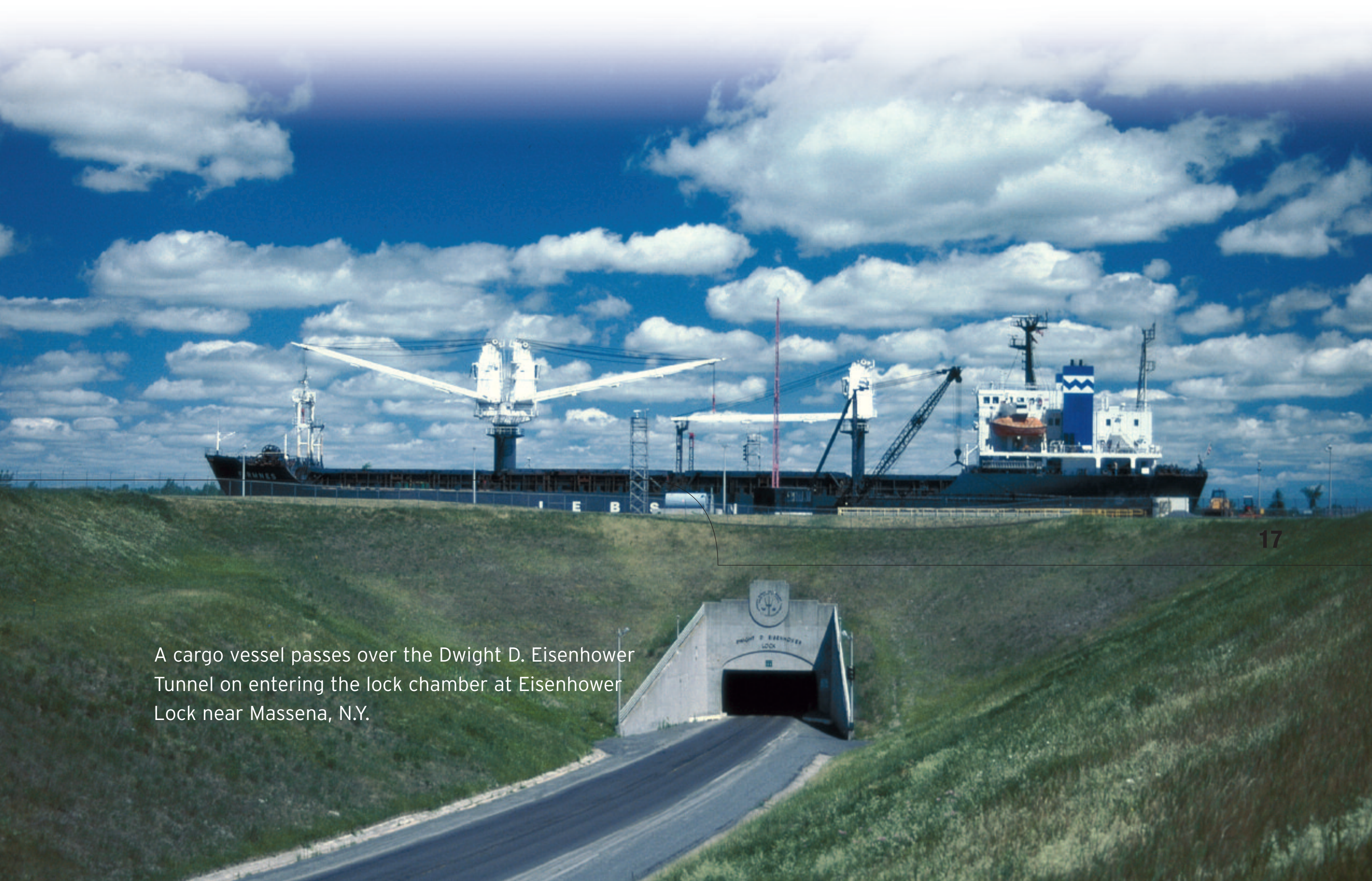

A cargo vessel passes over the Dwight D. Eisenhower Tunnel on entering the lock chamber at Eisenhower Lock near Massena, N.Y.

Report on Compliance with Laws and Regulations and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

To the Administrator of the Saint Lawrence Seaway Development Corporation

We have audited the financial statements of Saint Lawrence Seaway Development Corporation (the Corporation) as of and for the years ended September 30, 2005 and 2004, and have issued our report thereon dated October 21, 2005. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saint Lawrence Seaway Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Saint Lawrence Seaway Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. With respect to the internal control over financial reporting, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. This report is intended for the information of the management of Saint Lawrence Seaway Development Corporation. However, this report is a matter of public record and its distribution is not limited.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Rockville, Maryland
October 21, 2005

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

To the Administrator of the Saint Lawrence Seaway Development Corporation

We have audited the accompanying statement of financial position of the Saint Lawrence Seaway Development Corporation (the Corporation), a wholly-owned U.S. Government corporation, as of September 30, 2005 and 2004, and the related statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses and changes in equity of the U.S. Government for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saint Lawrence Seaway Development Corporation as of September 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2005, on our consideration of Saint Lawrence Seaway Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the principal financial statements described above. We have reviewed the financial information presented in management's overview of the Corporation and the supplemental financial and management information for consistency with the financial statements and notes. The information presented in the overview and supplemental financial and management information is provided for the purposes of additional analysis. Such information has not been audited by us and, accordingly, we do not express an opinion on this information.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Rockville, Maryland
October 21, 2005

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STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2005 and 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash:		
Held by U.S. Treasury	$ 5,280,148	$ 4,133,727
Held in banks and on hand	94,033	105,894
Short-term time deposits in minority banks (Note 3)	10,220,000	9,844,000
Accounts receivable (Note 4)	78,878	81,807
Inventories (Note 2)	249,508	245,899
Total current assets	15,922,567	14,411,327
LONG-TERM INVESTMENTS:		
Long-term time deposits in minority banks (Note 3)	882,000	1,210,000
Total long-term investments	882,000	1,210,000
PLANT, PROPERTY AND EQUIPMENT:		
Plant in service (Note 5)	158,850,187	158,041,747
Less: Accumulated depreciation	(83,109,074)	(80,693,806)
Net plant in service	75,741,113	77,347,941
Work in progress	1,093,481	980,665
Total plant, property and equipment	76,834,594	78,328,606
OTHER ASSETS:		
Lock spare parts (Note 2)	825,344	761,685
Less: Accumulated depreciation	(230,858)	(230,300)
Net lock spare parts	594,486	531,385
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	7,440	7,440
Total other assets	601,926	538,825
DEFERRED CHARGES:		
Worker's compensation benefits (Note 2)	2,715,903	2,234,494
Total deferred charges	2,715,903	2,234,494
TOTAL ASSETS	$ 96,956,990	$96,723,252

The accompanying notes are an integral part of these statements.

AS OF SEPTEMBER 30, 2005 and 2004

	2005	2004
LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT		
CURRENT LIABILITIES:		
Accounts payable	$ 1,588,812	$ 1,319,885
Accrued annual leave (Note 2)	782,624	719,926
Accrued payroll costs	440,606	388,363
Deferred revenue	8,000	-
Total current liabilities	2,820,042	2,428,174
ACTUARIAL LIABILITIES:		
Worker's compensation benefits (Note 2)	2,715,903	2,234,494
Total actuarial liabilities	2,715,903	2,234,494
Total liabilities	5,535,945	4,662,668
EQUITY OF THE U.S. GOVERNMENT:		
Invested capital (Note 2)	91,818,280	93,312,456
Cumulative results of operations (deficit)	(397,235)	(1,251,872)
Total equity of the U.S. Government	91,421,045	92,060,584
TOTAL LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	$ 96,956,990	$ 96,723,252

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENTS OF OPERATIONS AND CHANGES IN CUMULATIVE RESULTS OF OPERATIONS

FOR THE YEARS ENDED SEPTEMBER 30, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Appropriations expended	$ 14,756,083	$ 13,553,295
Imputed financing (Note 9)	902,190	903,541
Other (Note 7)	500,265	427,108
Total operating revenues	16,158,538	14,883,944
OPERATING EXPENSES (NOTE 8):		
Locks and marine operations	3,258,861	2,947,088
Maintenance and engineering	3,636,330	3,713,767
General and development	4,055,174	3,854,092
Administrative expenses	3,727,937	3,536,827
Depreciation	2,444,893	2,506,133
Imputed expenses (Note 9)	902,190	903,541
Total operating expenses	18,025,385	17,461,448
Operating loss	(1,866,847)	(2,577,504)
OTHER FINANCING SOURCES:		
Interest on deposits in minority banks	276,591	186,550
Transfer from invested capital for depreciation	2,444,893	2,506,133
Total other financing sources	2,721,484	2,692,683
OPERATING REVENUES AND OTHER FINANCING SOURCES OVER OPERATING EXPENSES	854,637	115,179
Beginning cumulative results of operations (deficit)	(1,251,872)	(1,367,051)
ENDING CUMULATIVE RESULTS OF OPERATIONS (deficit)	$ (397,235)	$ (1,251,872)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED SEPTEMBER 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating revenues and other financing sources over operating expenses	$ 854,637	$ 115,179
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by operating activities:		
Depreciation	2,444,893	2,506,133
Transfer from invested capital for depreciation	(2,444,893)	(2,506,133)
Net loss (gain) on property disposals	394	1,916
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	2,929	(18,428)
(Increase) decrease in inventories	(3,609)	8,796
(Increase) decrease in other assets	(63,659)	23,410
Increase in accounts payable	268,927	533,748
Increase in accrued liabilities	114,941	118,240
Increase in deferred revenue	8,000	-
Net cash provided by operating activities	1,182,560	782,861
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from property disposals	-	9,723
Acquisition of plant, property and equipment	(950,717)	(719,739)
Net (increase) decrease in time deposits	(48,000)	196,000
Net cash used in investing activities	(998,717)	(514,016)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations for plant, property and equipment	950,717	719,739
NET INCREASE IN CASH	1,134,560	988,584
Cash at beginning of period	4,239,621	3,251,037
CASH AT END OF PERIOD	$ 5,374,181	$ 4,239,621

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGET		
	Resources	**Obligations**	**Expenses**
Saint Lawrence Seaway Development Corporation Fund	**$ 31,461,718**	**$ 17,341,844**	**$ 18,025,385**
Budget Reconciliation:			
Total expenses			18,025,385
Adjustments			
Add:			
Capital acquisitions			950,717
Deduct:			
Depreciation			(2,444,893)
Imputed expenses			(902,190)
Decrease in net plant in service, property disposals			(394)
Increase in inventories			3,609
Increase in other assets			63,659
Less reimbursements:			
Trust funds			(15,706,800)
Revenues from non-federal sources			(776,856)
Accrued expenditures			$ (787,763)

The accompanying notes are an integral part of this statement.

STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT

FOR THE YEARS ENDED SEPTEMBER 30, 2005 and 2004

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2003	$ 95,098,850	$ -	$ (1,367,051)
Appropriations expended		(13,553,295)	13,553,295
Fiscal Year 2004 appropriations		14,273,034	
Other financing sources			1,517,199
Operating expenses, excluding depreciation and imputed expenses			(14,051,774)
Depreciation expense			(2,506,133)
IImputed expenses			(903,541)
Transfer from invested capital for depreciation	(2,506,133)		2,506,133
Capital expenditures	719,739	(719,739)	-
Balance, September 30, 2004	93,312,456	-	(1,251,872)
Appropriations expended		(14,756,083)	14,756,083
Fiscal Year 2005 appropriations		15,706,800	
Other financing sources			1,679,046
Operating expenses, excluding depreciation and imputed expenses			(14,678,302)
Depreciation expense			(2,444,893)
Imputed expenses			(902,190)
Transfer from invested capital for depreciation	(2,444,893)		2,444,893
Capital expenditures	950,717	(950,717)	-
Balance, September 30, 2005	$ 91,818,280	$ -	$ (397,235)

The accompanying notes are an integral part of these statements.

1. THE CORPORATION

The Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly owned government corporation within the Department of Transportation, was created by the Wiley Dondero Act of May 13, 1954 (68 Stat. 92, 33 U.S.C. 981) as amended. The Corporation is responsible for the development, seasonal operation and maintenance of the portion of the St. Lawrence Seaway (the "Seaway") between Montreal and Lake Erie, and within the territorial limits of the United States.

2. Summary of Significant Accounting Policies

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation as required by the Chief Financial Officers Act of 1990. They have been prepared from the books and records of the Corporation in accordance with generally accepted accounting principles as set forth for Federal Government Corporations, and the Corporation's accounting policies and procedures, which are summarized below. The accounting policies and procedures are consistent with Title 2 of the U.S. General Accounting Office's Policy and Guidance of Federal Agencies.

Inventories consist primarily of supplies which are consumed in operations and are valued at the lower of cost or market with cost being determined using the weighted average method. The recorded values are adjusted for the results of physical inventories taken periodically.

Plant, property and equipment are stated at cost of acquisition or construction. Indirect costs incurred prior to the opening of the Seaway on April 25, 1959 have been allocated to the permanent features of the Seaway. Assets costing $5,000 or more are capitalized when they have an expected useful life of five years or more. Improvements and betterments are capitalized. Repairs and maintenance costs are expensed. The straight line method of depreciation is used and is computed on balances in plant in service. The cost of plant retired and the accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Included in lock spare parts are certain items having an expected service life between 5 and 50 years. The cost of these items totals $247,809 at September 30, 2005. These lock spare parts are an integral part of the lock machinery that allow for replacement of parts, periodically removed from service for maintenance, without causing a shutdown of the Seaway. Effective for the fiscal year ended September 30, 1993, lock spare parts having expected service lives are depreciated over their service life. The balance of lock spare parts totaling $577,535 at September 30, 2005, consists of expendable inventory items valued at the lower of cost or market with cost being determined using the weighted average method.

Accrued annual leave represents the value of the unused annual leave accrued to employees of the Corporation. The leave is funded and reported as an obligation.

The Corporation funds a program administered by the Department of Labor to compensate certain employees for death and disability resulting from performance of duty injuries or illnesses as set forth in the Federal Employees Compensation Act (FECA). As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life. The Corporation recognizes current costs of the program on an accrual basis and expenses those costs in the year the benefits are due. Effective with fiscal year 1994, the actuarial liability of these benefits are recognized and recorded in these statements. The liability and deferred charge recorded reflects the actuarial liability as determined by the Department of Labor.

Seaway Tolls—The Water Resource Development Act of 1986 (Public Law 99 662) required the Corporation to turn over U.S. Seaway tolls charged on commercial vessels to the Harbor Maintenance Trust Fund (the "Fund"). Annual appropriations from the Fund are used to meet operation and maintenance expenses. The Act further required the U.S. Treasury to rebate the tolls to the shippers from the Fund. Public Law 103-331, dated September 30, 1994, eliminated the requirement to collect and rebate these tolls effective October 1, 1994.

Invested Capital – The Corporation was initially funded by revenue bonds issued by the U.S. Treasury. On December 18, 1982, Congress cancelled the outstanding revenue bonds of $109,976,000 (P.L. 97-369, 96 Stat. 1782). With cancellation of the debt, the amount was converted to invested capital. Since fiscal year 1987, when the Corporation began receiving annual appropriations from the Harbor Maintenance Trust Fund, capital expenditures and annual depreciation have been recognized in invested capital.

Budget Authority—The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of $17,906,800 for fiscal year (FY) 2005, $15,706,800 from the Fund (Public Law 108-447), $1,300,000 from the Corporation's unobligated balance and $900,000 from non federal revenues. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $17,341,844 for FY 2005. The Corporation's unobligated balance at September 30, 2005 totaled $14.1 million including $3.2 million unused borrowing authority. For FY 2006, the Corporation is operating on a Continuing Resolution based on the FY 2005 level of $15,706,800. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2006.

Statement of Cash Flows—For purposes of financial reporting, the Corporation considers cash to be cash held in the U.S. Treasury, cash in banks and cash on hand.

3. TIME DEPOSITS IN MINORITY BANKS

The Corporation maintains insured deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises. These deposits consist mainly of the Corporation's unobligated balance, which is retained for emergency situations.

4. ACCOUNTS RECEIVABLE

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables as of September 30, 2005 and 2004 are as follows:

	2005	2004
Due from concession contracts	$ 28,736	$ 26,164
Interest on deposits in minority banks	16,898	13,510
Other	33,244	42,133
Total	$ 78,878	$ 81,807

5. PLANT IN SERVICE

Plant in service as of September 30, 2005 and 2004 is as follows:

		2005		2004	
Plant in Service	Estimated Life (Years)	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Lands in fee	N/A	$ 867,526	N/A	$ 867,526	N/A
Land rights & relocations	95	5,639,064	2,471,907	5,639,064	2,412,697
Locks & guidewalls	40-100	76,106,007	39,591,262	75,707,132	38,601,922
Roads & bridges	50	9,242,862	8,122,627	9,152,820	7,937,979
Channels & canals	95	36,870,221	16,004,623	36,870,221	15,617,486
Public use facilities	50	918,409	627,729	918,409	609,361
Navigation aids	10-40	2,939,691	2,404,554	2,939,691	2,346,515
Buildings, grounds & utilities	50	14,359,314	5,640,249	14,092,002	5,355,757
Permanent operating equipment	5-40	11,907,093	8,246,123	11,854,882	7,812,089
Total plant in service		$ 158,850,187	$ 83,109,074	$158,041,747	$ 80,693,806

Plant in service includes costs of certain features of the Seaway International Bridge Corporation, Ltd., which is discussed in Note 6. These features include land rights and relocation costs incurred in removing the old bridges, which were a hindrance to navigation, and in building the superstructure of the South Channel Bridge. The gross amounts of $3,897,379 in land rights and relocations, and $4,853,320 in roads and bridges have been depreciated accordingly.

6. INVESTMENT IN THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (SIBC)

The Corporation owns, on behalf of the U.S. Government, 50% of SIBC, a subsidiary of The Federal Bridge Corporation Ltd., a federal Crown Corporation of Canada. Ownership consists of debenture bonds payable to the Corporation with face values totaling $8,000. The net annual income from the SIBC, after all operating expenses, is divided equally between both parties. The Corporation's portion, if any, is retained in escrow by SIBC to fund structural repair costs to the South Channel Bridge as provided in the Corporation's Enabling Act. Any revenue received by the Corporation will be returned to the U.S. Treasury as miscellaneous receipts. No revenue from the SIBC has been received since 1961.

7. OTHER REVENUES

Other revenues for the years ended September 30, 2005 and 2004 consist of the following:

	2005	2004
Concession operations	$ 271,613	$ 228,456
Shippers payments for damages to locks	1,042	11,403
Rental of administration building	67,897	66,385
Vessel towing services	11,400	3,300
Pleasure craft/non-commercial tolls	106,863	86,684
Miscellaneous (net)	41,450	30,880
Total	$ 500,265	$ 427,108

Shippers' payments for damages are reported net of direct materials and direct labor costs. Reimbursements for direct materials and direct labor are recorded as reductions of the related expense accounts.

8. OPERATING EXPENSES BY OBJECT CLASS

Operating expenses by object class for the years ended September 30, 2005 and 2004 are as follows:

	2005	2004
Personnel services and benefits	$ 11,661,314	$ 11,483,620
Travel and transportation	180,707	159,691
Rental, communications and utilities	517,935	427,892
Printing and reproduction	28,572	28,336
Contractual services	1,509,000	1,245,182
Supplies and materials	669,985	540,824
Equipment not capitalized	110,395	164,313
Loss on property disposals	394	1,916
Subtotal	$ 14,678,302	$ 14,051,774
Depreciation expense	2,444,893	2,506,133
Imputed expenses	902,190	903,541
Total operating expenses	$ 18,025,385	$ 17,461,448

9. RETIREMENT PLANS

Retirement Plans consist of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). FERS went into effect, pursuant to Public Law 99-335, on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS and Social Security while employees hired prior to January 1, 1984 elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Corporation automatically contributes 1 percent of pay and matches any employee contributions up to an additional 4 percent of pay. For employees hired since December 31, 1983, the Corporation also contributes the employer's matching share for Social Security. Effective with fiscal year 1997, the Corporation recognizes and records the cost of pensions and other post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as both an expense paid by another entity and an imputed financing source to the receiving entity, therefore offset each other with no impact upon the Corporation's net position.

Contributions to the retirement plans and Social Security for the years ended September 30, 2005 and 2004 are as follows:

	2005	2004
Civil Service Retirement System	$ 206,545	$ 242,476
Federal Employees Retirement System:		
Automatic contributions	660,712	607,335
Matching contributions	186,153	188,074
Social Security	379,182	356,070
Total	$ 1,432,592	$ 1,393,955

10. CONTINGENCIES AND COMMITMENTS

As of September 30, 2005, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2005 and 2004 there were undelivered orders and contracts amounting to $2,815,143 and $1,209,245, respectively.

11. RELATED PARTY TRANSACTIONS

The Corporation receives rental payments for office space provided to U.S. Immigration and Naturalization Service, the U.S. Coast Guard and the Internal Revenue Service at its administration building in Massena, New York. For the years ended September 30, 2005 and 2004, revenue totaled $64,598 and $63,194, respectively.

The Corporation made rental payments to the General Services Administration for our Washington, D.C. office totaling $204,149 and $205,206 for fiscal years 2005 and 2004, respectively.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Amounts due under reimbursable agreements with federal agencies for FY 2005 and FY 2004 were as follows:

	2005	2004
Volpe National Transportation System Center	$ 32,500	$ 97,800
Department of Commerce	-	35,000
Office of the Secretary of Transportation	48,881	27,970
Federal Highway Administration	27,876	24,574
United States Coast Guard	1,074	970
Office of Personnel Management	19,340	845
Executive Office of the President, Council on Environmental Quality	5,000	-
Federal Aviation Administration	4,000	-
Department of Defense	1,572	281
Total	$ 140,243	$ 187,440

Accounts payable at September 30, 2005 and 2004 include $1,148,314 and $842,634 respectively, of amounts payable to the U.S. Government.

In fiscal years 2005 and 2004, the Corporation accrued costs of $80,717 and $73,175, respectively, to the St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

12. STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES

The Statement of Budgetary Resources and Actual Expenses presents budget information as reported on the Corporation's "Report on Budget Execution" SF 133 and reconciles accrued expenditures from that report to expenses as reported in the accompanying financial statements.

Budget resources of $31,461,718 consist of the Corporation's unobligated balance of $14,938,009 brought forward from October 1, 2004, and reimbursements earned of $16,483,656 and recoveries of prior year's obligations of $40,053 during FY 2005.

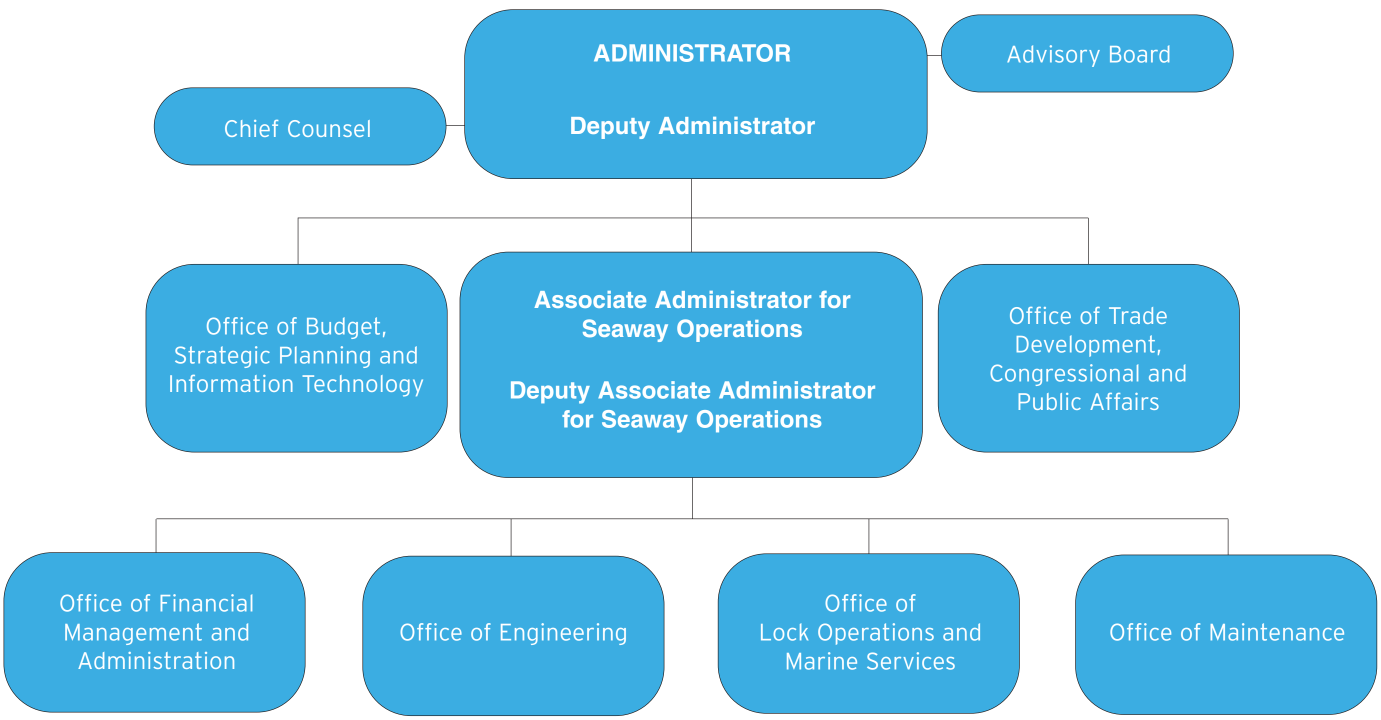
ADVISORY BOARD

SLSDC has a statutorily mandated five-member Advisory Board which reviews the general policies of the SLSDC and advises the Administrator with respect to these policies. The members of the Advisory Board are appointed by the President with the advice and consent of the U.S. Senate.

Jack E. McGregor, Chairman, Bridgeport, Conn.
George Milidrag, Troy, Mich.
James S. Simpson, New York, N.Y.
Scott K. Walker, Milwaukee, Wis.
William Wilson, Saint Paul, Minn.

Saint Lawrence Seaway Development Corporation

ORGANIZATIONAL CHART



CONTACTS

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Deputy Administrator	(202) 366-0105
Chief of Staff	(202) 366-0107
Chief Counsel	(202) 366-0091
Trade Development, Congressional and Public Affairs	(202) 366-5418
Budget, Strategic Planning and Info. Technology	(202) 366-8982

MASSENA, N.Y. OFFICE

Associate Administrator	(315) 764-3209
Deputy Associate Administrator	(315) 764-3211
Chief Financial Officer	(315) 764-3275
Financial Management and Administration	(315) 764-3230
Engineering	(315) 764-3251
Lock Operations and Marine Services	(315) 764-3294
Lock Operations (after hours)	(315) 764-3292
Maintenance	(315) 764-3229

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Maintenance Building (Massena, N.Y.)	(315) 764-3258
Eisenhower Lock (Massena, N.Y.)	(315) 764-3250
Operations and Maintenance (Massena, N.Y.)	(315) 764-3242

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SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
UNITED STATES OF AMERICA

Saint Lawrence Seaway Development Corporation

FISCAL YEAR 2005 ANNUAL REPORT